

In the Matter of a Rulemaking  
To Establish a Telephone  
Assistance Plan in the State  
of Minnesota

ISSUE DATE: NOVEMBER 25, 1987

Docket No. P-999/R-87-358

ORDER ADOPTING IMPLEMENTATION  
PLAN, ORDER REQUIRING TARIFF  
FILING, AND ORDER DIRECTING  
FEDERAL MATCHING PLAN  
APPLICATION FILING

**Procedural History**

On August 1, 1987, Laws of Minnesota 1987, Chapter 340 became effective. Minn. Stat. Section 237.71, empowered the Minnesota Public Utilities Commission, (the Commission) to adopt rules under the administrative procedures act (Minn. Stat. Ch. 14) necessary or appropriate to establish the Telephone Assistance Plan (TAP). The Commission was directed by the statute to establish TAP to be effective January 1, 1988, or as soon after that date as Federal Communications Commission (FCC) approval of the TAP was obtained to enable telephone companies to qualify for the federal matching plan.

The TAP was designed by the Minnesota legislature to provide assistance to low income persons over 65 for telephone service in the form of a credit on their monthly local telephone bill and a waiver under the federal matching plan of the federal interstate access charge of an amount equal to the state credit.

The Commission began the TAP rulemaking and implementation process by publishing a notice of intent to solicit outside opinion in the State Register on July 20, 1987. After receipt of the comments, which were due August 28, 1987, the Commission's staff began drafting the actual TAP rule. As part of this drafting stage, and in order to provide public, industry and governmental input into the writing of the TAP rule and the implementation of the plan, the Commission established three TAP advisory groups: the TAP Advisory Task Force, a Technical Work Group and a Research Work Group.

The Advisory Task Force was created to serve several purposes. The first purpose was to assist the Commission with the drafting of the TAP rule. By encouraging interested persons to reach a consensus on TAP rule language and intent, the Commission hopes to avoid a lengthy controversial

recommendations. A large part of the work on TAP implementation plans was done by the two Work Groups, which assist the Commission and the Task Force. The Technical Work Group has evaluated alternative methods of calculating the TAP surcharges and credits, continues to evaluate and examine TAP administrative expenses, and is designing the telephone company TAP expense reporting form.

The Research Work Group has evaluated various means to ensure senior participation in TAP. As part of its work, the Research Work Group has evaluated various processes of verifying eligibility, various methods of disbursing the credits, and worked on the design of the TAP application form.

The third and final purpose of the Advisory Task Force will be to evaluate TAP and make recommendations to the Commission. The Commission will use this information in its TAP report to the Legislature in January 1989. The work of the Task Force is anticipated to end once it makes its final recommendations to the Commission.

The Commission published the proposed TAP rule in the State Register on October 19, 1987. Comments were due on November 18, 1987. The Commission issued its Findings of Fact, Conclusions and Order Adopting Rules on November 24, 1987 in this docket. The Commission anticipates that the TAP rule will be effective on or about January 1, 1988.

### **Commission Findings and Conclusions**

The Commission finds that while the rule-making process is being completed, it is necessary to pursue work on implementing TAP. This work is necessary in advance of final TAP rule approval by the Attorney General's Office for practical reasons: Commission approval of implementation plans is necessary to give positive direction to the Commission staff, the Department of Human Services (the DHS) staff, the telephone industry and interested groups to go forward with the detail work required to make TAP a reality by January 1, 1988.

The Commission finds that its approval of TAP implementation plans and a Commission order formalizing such action is also required to obtain telephone company tariffs, to authorize telephone company billing programing changes for surcharges and credits to appear on the local subscriber's bill and to ensure FCC matching plan approval.

The Commission makes the following findings and conclusion regarding TAP implementation:

#### **I. TAP Implementation Under the Utah Plan**

- (1) The Utah plan minimizes the administrative expenses so as to devote a greater portion of program dollars to program benefits;
- (2) the Utah Plan delivers services in such a way that seniors will be more likely to seek TAP benefits; and,
- (3) the Utah Plan meets the requirements for FCC matching plan approval.

The Commission finds that the Utah Plan is also practical because it can be done by Commission, the DHS and the telephone companies within the context of the enabling statute.

With regard to the objective of minimizing administrative costs, the Commission finds that under the Utah plan, the Minnesota telephone industry's TAP administrative cost estimates were reduced by more than one-half of the original estimates made before the Utah plan was considered. The DHS expects its administrative costs of income verification under the Utah plan to decline below original estimates as well.

The Commission finds that under the Utah plan, seniors will be more likely to participate in the program because the application process will be streamlined and most people will not have to undergo an extensive income verification process which may deter participation.

#### **A. The TAP Application and Income Verification Process**

The Commission will direct its staff to develop plans with the DHS to publish TAP informational brochures and applications and make them available at convenient locations for seniors. Such locations would include but not be limited to local agencies of the DHS, Community Action Program (CAP) agencies, local, regional, and statewide offices of senior groups.

Under the TAP implementation plan the Commission is adopting, completed Minnesota TAP applications will be sent by mail directly to the TAP applicant's local telephone company. The Commission will not require the local telephone companies to verify eligibility. The local telephone company, however, must check that the applicant has correctly completed the form. Each local telephone company serving subscribers in Minnesota must place every TAP applicant who correctly completes the application on the company's billing system to receive TAP credits.

Under the Utah plan as adopted by the Commission, persons will be eligible for TAP benefits if they meet the TAP income qualifications or are currently recipients of other state assistance programs. The Commission will identify the other state assistance programs to use for TAP eligibility purposes in a subsequent Order. The use of participation in other state assistance programs for proof of TAP eligibility will save considerable verification expense. Applicants who are not recipients of other

The Commission will direct that verification of eligibility occur after the TAP application is received by the local telephone company. The first verification process will take place on June 1, 1987 and will occur once every 12 months thereafter. To verify applicants, the local telephone companies will send their TAP recipients list (either on computer tape or hard copy) to a TAP verification office. Prior to the first verification process, the Commission will issue an Order giving local telephone companies notice of which office or offices will perform verification of TAP eligibility. Eligibility will be corroborated by confirming an applicant's participation in other state assistance programs. Those TAP applicants who do not participate in other state assistance programs will be contacted by the DHS for further income verification.

### **B. Potential TAP Eligible Households**

Based on preliminary statistics provided by the DHS, the Commission finds that approximately 30,000 Minnesota households will be eligible for TAP benefits. Of these households, approximately 1/2 currently participate in other state assistance programs, not including energy assistance. Using the fiscal year 1985 energy assistance program annual report, the Commission finds that if energy assistance was made one of the TAP eligibility self-certification programs, almost all of the eligible households in Minnesota could receive TAP benefits through the self-certification process. As mentioned above, the Commission will issue an Order in the near future which establishes the final list of other state assistance programs TAP applicants may use to self-certify TAP eligibility.

## **II. Provision and Termination of TAP Credits and Provision of TAP Surcharges**

The Commission finds that under the proposed TAP rule, credits to eligible seniors who apply for TAP benefits will begin within 90 days from the start of the collection of the surcharge. The first surcharge will be collected in each local company's first billing cycle in January 1988. The 90 day delay will allow sufficient funds to be collected to provide the initial credits. After the initial provision of credits immediately following the 90 day surcharge start-up period, subsequent credits will be applied to the applicant's earliest possible billing cycle but no later than the applicant's second billing cycle after enrollment in the TAP.

The Commission finds that under the Utah plan, credits to TAP recipients would not be automatically terminated every 12 months, but would continue until a TAP recipient was no longer eligible for the credit. The Commission finds that continuation of credits, rather than automatic termination every 12 months, will save considerable administrative expense in subsequent years of the TAP because a service order cost (to take people off and put them back on TAP) will not be incurred annually.

surcharge (with some exceptions, such as the federal government, all local subscribers in Minnesota pay the 911 surcharge). A surcharge set at 11 cents per local subscriber would generate in excess of the \$2.5 million funding cap established by the legislature.

The Commission agrees with the recommendation of the Task Force and the Technical Work Group that it would not be appropriate or practical to assess a fractional surcharge which would be necessary to collect the exact amount of TAP funding (\$2.5 million) allowable under the law. The Commission will order all local telephone companies serving subscribers within the state of Minnesota to begin charging the 10 cents per month TAP surcharge to each local subscriber who now pays the 911 surcharge.

The Commission will direct local telephone companies to display the TAP surcharge as a line item on the telephone bill separate from the local service charge and any other line items presently on the telephone bill. The TAP surcharge line item will be labeled, "Telephone Assistance Plan Surcharge." The first surcharge will be assessed during the local telephone companies' first billing cycle in January 1988 and continue monthly thereafter. The surcharge level may be modified by the Commission when and if it becomes necessary to prevent an overcollection of surcharge revenues.

The Commission is currently investigating whether the TAP surcharge is subject to state taxation. Companies will be informed of the proper tax treatment to apply, if any, to the TAP surcharge in a later Commission Order.

#### **IV. The Level of TAP Credits**

The Commission will approve TAP credits to be equal to 50% of the weighted average (weighted by number of customers on a certain local rate) of a company's local service rate (including EAS charges), that amount not to exceed the amount available under the federal matching plan (presently that amount is \$2.60 per month). The Commission finds that the use of a weighted average is necessary for the practical purpose of reducing TAP administrative expense.

Minn. Stat. section 237.64, subd. 5 gives the Commission discretion within certain guidelines, as stated by the Commission immediately above, to establish the credit level. Use of the weighted average will reduce the costs of calculating and maintaining many different credits if a company has many different local service rates.

The Commission finds that most TAP recipients are likely to receive the maximum credit presently available which is \$2.60 (unless the level of credits must be reduced to keep within the bounds of the TAP funding limitations). This is because all the local rates of the Northwestern Bell Telephone Company, which serves the largest number of customers in the state, and therefore has the largest potential number of TAP recipients, are above \$5.20. All persons eligible for TAP whose monthly

The Commission will direct all local telephone companies to show the TAP credit on each eligible subscriber's local service bill as a separate line item. The TAP credit line item shall be labeled as "Telephone Assistance Plan Credit."

## **V. TAP Tariff Filing and Notice Requirement**

The Commission will order all local telephone companies serving subscribers in Minnesota to file with the Commission for its approval TAP tariffs for the TAP surcharge and credits. These tariffs shall be in the form of the tariff shown on Appendix I of this Order. Companies shall fill in their name and respective TAP credit amount. The Commission finds that although no FCC rule requires it, the FCC has made it clear in discussions with Commission staff that the FCC requires a tariff to accompany a state's application for the FCC's matching plan approval.

In discussions with the Commission staff, the FCC indicated that an application could be submitted without a tariff but that final FCC approval would be conditioned upon the filing of the local telephone company TAP tariffs.

The Commission will also require all local telephone companies to enclose a Commission-approved bill insert with each local service bill that includes the first assessment of the TAP surcharge. This bill insert will notify customers of the reason for the surcharge and give a brief history of the TAP. The Commission will draft the bill insert and send a copy to each local telephone company prior to January 1, 1988.

## **III. FCC Approval of TAP**

The Commission finds that Utah's plan was approved by the FCC and began operating in January 1987. The Commission finds that adopting the Utah plan for use in Minnesota will help ensure FCC matching plan approval. The Commission will direct its staff to prepare and submit an application to the FCC for federal matching plan approval of TAP.

The Commission finds that with the exception of the tariffs and the final TAP rule, all materials required by the FCC for its matching plan approval are available for inclusion in an application before the FCC for matching plan approval. A copy of the TAP enabling statute and a copy of the proposed TAP rule can be submitted and would accompany a copy of this Order adopting the TAP implementation plan. TAP tariffs and the final TAP rule will be sent to the FCC at a later date.

in the implementation of Minnesota's Telephone Assistance Plan. The Commission hereby directs its staff, the Department of Human Services and the telephone industry to complete implementation details as described herein.

2. The Commission hereby sets the initial TAP surcharge at 10 cents per month per local Minnesota subscriber and the TAP credit to be set at a level not to exceed 50% of a company's weighted average (as described herein) of its local service rates (including EAS charges) and not to exceed the level of the current federal interstate access charge. The surcharge and credit shall be listed on the local telephone service bill as described herein. Within 20 days of the issuance date of this Order, all local telephone companies shall submit for Commission review and approval and serve upon the Department of Public Service, tariffs for the surcharge and credits as described herein. If no action is taken on the tariffs prior to January 1, 1988, the tariffs shall become effective as filed on that date.
3. Commission staff is hereby directed to prepare and to file on behalf of the Commission an application to the Federal Communications Commission for matching plan approval as described herein.
4. The Commission hereby directs all local telephone companies to enclose a bill insert as described herein with each local service bill that includes the first assessment of the TAP surcharge.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

( S E A L )  
TAPORD